

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

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BACKGROUND INFORMATION ON LOAN
TO SOUTH CAROLINA TRANSMISSION COOPERATIVE

The Rural Electrification Administration has approved a \$7,595,500 loan for a new transmission system to deliver low cost hydroelectric power from Santee-Cooper Dam in South Carolina to 14 REA-financed distribution systems in that State, the U. S. Department of Agriculture announced today.

The new transmission system will enable the REA borrowers to save 20 percent on their present wholesale power bills and will assure them adequate power to meet their growing needs for the next 35 years --- an assurance which present commercial suppliers were unable to give to the satisfaction of the co-ops.

The loan was made to the Central Electric Power Cooperative of Columbia, a cooperative organized a year ago by 14 distribution cooperatives.

The Central Electric Power Cooperative will build a system of 83 $\frac{1}{4}$ miles of transmission lines, spanning 27 South Carolina counties, to feed hydroelectric power from the Santee-Cooper Dam, owned by the State of South Carolina and operated by the State Public Service Authority, to the load centers of the cooperatives.

The new transmission system will be integrated with part of the present and planned transmission system of the Authority. In addition, the Authority, under a long-term contract with the new transmission cooperative, will operate and maintain the new system after it is built.

When the new system is in operation, approximately 65,000 South Carolina farmers and other rural consumers will receive the benefits of the low-cost hydroelectric power. They live in 35 of the State's 46 counties.

Current from the new system will be delivered to the distribution cooperatives' load centers at 6 mills per kilowatt-hour. The rate which the member cooperatives are now paying averages about 7 $\frac{1}{2}$ mills at the cooperative substations. The total saving will be \$122,000 annually in 1951, when the system is expected to go into service, and increase to \$282,000 annually by 1956, when the member co-ops will have expanded their coverage and the average power use by farmers will be considerably greater.

The new system not only will result in substantial savings, but will provide far better service and better assurance of enough power than any other alternative discussed by the co-ops with REA. The co-ops report that service at present is unsatisfactory, and that present suppliers have not given

adequate assurance of their ability to deliver the much larger amounts of power the cooperatives will need in the future.

Chairman Winchester Smith, of the South Carolina Public Service Commission in appraising the rural power situation says that, "the power transmission lines in lower, central and eastern South Carolina are wholly inadequate... there is a woeful shortage of distribution lines, inadequate service and power in the area above-mentioned."

The co-ops also point out that their foreseeable need for power greatly exceeds the amounts the companies are now in a position to deliver. In discussions with REA, the commercial companies have based their estimates of power they could deliver to meet future loads on the assumption that they would get additional quantities of power from Santee-Cooper. However, the South Carolina Public Service Authority has already started to cancel existing contracts with the companies.

Low cost power, giving the people maximum benefit from the project, has been a Santee-Cooper objective from the project's beginning. Authority officials state that in their requests for Federal Works funds they stressed the fact that the energy generated by the proposed facilities would be used to further rural electrification in the State. Furthermore, these officials say that it always has been the policy of the board to give the rural electric cooperatives preferences in the sale of Santee-Cooper power.

Approval of the loan marks the close of a 10-year period in which REA cooperatives in South Carolina have been working to achieve more favorable arrangements for their wholesale power supply. Considerable progress was made in the early '40's when REA approved an initial loan for a similar though smaller transmission system. That loan approval led to a 35 percent reduction in wholesale rates from the existing suppliers. This reduction, coupled with the wartime restrictions on construction materials at that time, resulted in revision of the loan.

REA and the co-ops have made extensive and painstaking inquiries into possible alternative methods of supplying the future needs of the South Carolina farm people for power. A year ago the co-ops publicly announced their plans to seek REA-financing for a transmission system to obtain low cost Santee-Cooper power. On January 15, 1948, the Central Electric Power Cooperative filed with the South Carolina Secretary of State incorporation papers including an outline of its planned transmission system. The application to REA has been thoroughly studied and considered during the past year.

In April, South Carolina power company officials conferred with the REA Administrator, Claude R. Wickard regarding the proposed loan. Again, on December 21, they were invited to a conference with REA. Neither at this meeting nor at any other time has a firm offer been made which was nearly as favorable to the cooperatives as the Central Electric Power Cooperative plan, taking into account the combined factors of price, quality of service and assured ability to deliver the amounts of power needed.

Since the December meeting, representatives of the South Carolina companies have written a letter outlining two alternative plans. Neither contained concrete rate proposals and both were indefinite and unsatisfactory in many other respects.

The first plan was an offer to wheel Santee-Cooper power over its existing transmission lines to the member co-ops. The Authority officials informed REA that the wheeling proposal was unacceptable to them because it was "unreasonable, uncertain, indefinite, vague and impractical arrangement."

The second proposal, rejected by the cooperatives, was to renew the present power contracts with a promise of rates "substantially lower" ----amount was not specified. The companies had already stated that at present rates they "are now serving the cooperatives without profit. In fact, in many instances we are serving them below actual cost..." The co-ops point out that if such a condition is established as a fact before the State Commission, the Commission on the basis of fairness to other wholesale customers and to the companies' investors might feel compelled to increase the wholesale rates charged the co-ops in the future when the co-ops would no longer be in a position to get low cost power from Santee-Cooper. Among other reasons for the rejection was that the proposed wholesale power contract unduly and severely restricts the co-ops in their area coverage programs. Furthermore, no assurance was given that the co-ops would obtain additional delivery points except at the companies' discretion. Engineering studies including a calculating board test at the Georgia Institute of Technology showed that the proposed new transmission system will provide greatly improved service for the co-ops.

The members of the new transmission cooperatives are:

Aiken Electric Cooperative, Aiken; Lynches River Electric Cooperative, Page-land; Edisto Electric Cooperative, Bamberg; Pee Dee Electric Cooperative, Darlington; Marlboro Electric Cooperative, Bennettsville; Santee Electric Cooperative, Kingstree; Black River Electric Cooperative, Sumter; Coastal Electric Cooperative, Walterboro; Horry Electric Cooperative, Conway; Tri-County Electric Cooperative, St. Matthews; Newberry Electric Cooperative, Newberry; Salkehatchie Electric Cooperative, Barnwell; Mid-Carolina Electric Cooperative, Lexington; and Palmetto Electric Cooperative, Ridgeland.

At present the 14 distribution systems are serving 43,000 rural consumers and have loan funds available to finance construction which will serve about 10,000 others. They are preparing loan applications to serve an additional 5,000 to 10,000 rural establishments. Their goal is area coverage -- adequate service for all the people in their areas.

The transmission loan will be used to build 226 miles of 115 KV transmission line; 333 miles of 69 KV line; 264 miles of 44 KV line, and 11 miles of 33 KV line; install five large substations at Pinewood, Sampit, Leeville, Neese and St. George; provide a two-way radio communication system.

The mileage breakdown of the transmission lines to be built by counties is as follows: Horry 11; Georgetown 9; Williamsburg 42.5; Florence 37; Darlington 38; Marlboro 18; Chesterfield 37; Lancaster 17; Kershaw 26; Lee 36.5; Sumter 73.5; Calhoun 36; Richland 27; Orangeburg 105.5; Dorchester 13.5; Colleton 32; Hampton 19; Allendale 9; Bamberg 19; Barnwell 14; Aiken 41; Edgefield 13; Saluda 12; Newberry 20; Lexington 58; Clarendon 49.5; Burkeley 20.

Under the contract between the power cooperative and the South Carolina Public Service Authority, the 115 KV transmission line from Pinopolis to Pinewood and from Pinewood to Columbia, now partially constructed by the Authority, will be made part of the new system. The cooperative will lease the entire system to the Authority. The Authority will assume the responsibility for the maintenance and operation of the transmission system, and other charges, and payment of annual rental sufficient to amortize the REA loan over a 35-year period. When the REA loan has been repaid, the title to the system will pass to the Authority.

The South Carolina Public Service Authority was created by the General Assembly in 1934, among other things, to build the Santee-Cooper Hydroelectric and navigation project, and the enabling act specified that it must operate the project "for the benefit of all the people of South Carolina and for the improvement of their health, welfare and material prosperity."

With funds from the Federal Works Agency and the Works Progress Administration, the project was started in 1938 and substantially completed in 1942.

The power plant, near Moncks Corner, has a total capacity of 132,000 KW. It is capable of producing firm energy totaling 460,000,000 KWH a year and under favorable conditions, up to 700,000,000 KWH annually. The anticipated loads of the REA-financed distribution systems are expected to total approximately 267,700,000 KWH a year within the next eight years.